

# Los Angeles

## Industrial Market Outlook 1Q 2018



Commercial Real Estate Services, Worldwide.

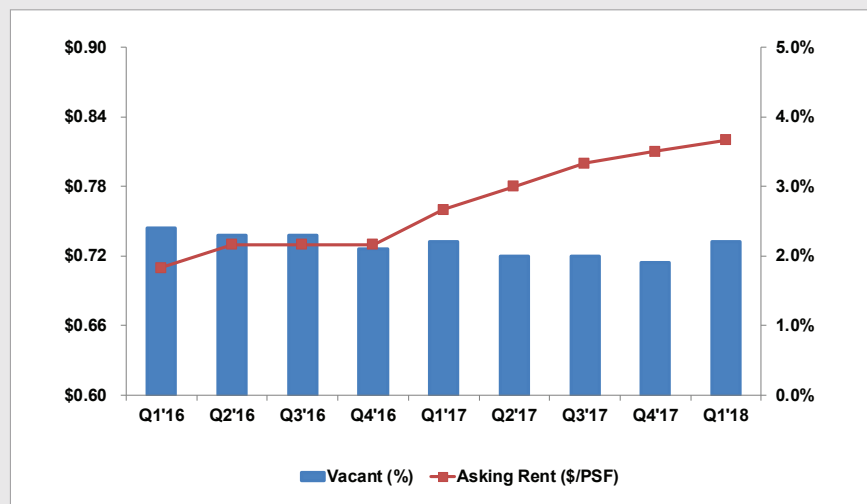
### MARKET OVERVIEW

Availability and new deliveries of Los Angeles industrial product cannot keep up with the market's insatiable demand. Los Angeles' industrial market began 2018 by continuing the trend of low vacancy and rising rental rates. At the end of 1Q 2018 vacancy was just 2.2% while the average asking rent reached an unprecedented \$0.82/SF. A strong economy drove demand for industrial space as demonstrated by increased cargo volume from the ports of Los Angeles and Long Beach, which handle roughly 32% of the nation's cargo imports. In January and February 2018, more than 2.8 million TEUs filtered through the two ports. The first two months of the year saw no slowdown in port activity, which is significant as cargo volume typically declines due to the Lunar New Year when many Chinese businesses and factories shut down for the extended holiday. Instead, combined cargo volume from both ports jumped 12.7% over the year and imports were up 14.6%. Consumer demand for imported goods is supporting cargo volume increases and will continue driving demand for industrial space in Los Angeles.

### TRENDS TO WATCH

Demand will continue to outpace supply in Los Angeles's tight industrial market. New deliveries, such as the 512,490 SF warehouse in Torrance that had not secured a tenant, contributed to the slight uptick in vacancy this quarter. The strong momentum of the market suggests that this project and other new construction will not struggle with occupancy for long. Lack of available land for construction will continue to limit future development opportunities. Tenants should expect vacancy to remain low, fueling increases in the average asking rent. Despite political uncertainty surrounding trade relations between the United States and China, the Los Angeles industrial market is unlikely to experience any significant reversal in market trends. Anticipated e-commerce growth will drive demand for warehouses and distribution centers.

#### Average Asking Rent and Vacancy Rate



Rents reflect buildings of 10,000 SF or greater  
Source: NAI Capital Research, Costar

### MARKET OUTLOOK

#### Asking Rental Rates



#### Sale Prices



#### Availability/Vacancy Rates



#### Landlord Concessions



#### Sales/Leasing Volume



#### New Construction



NAI Capital Research  
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### Market Statistics

SUBMARKET	EXISTING TOTAL RBA (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVAILABLE (%)	TOTAL VACANCY (%)	1Q18 LEASING VOLUME (SF)	YTD LEASING VOLUME (SF)	1Q18 SALES VOLUME (SF)	YTD SALES VOLUME (SF)	AVERAGE ASKING RENT \$/PSF NNN	AVERAGE SALE PRICE \$/PSF
Central	242,695,063	237,500	4.7%	2.5%	2,508,497	2,508,497	2,555,059	2,555,059	\$0.75	\$180
Mid-Cities	99,607,464	1,081,473	5.0%	2.7%	1,969,863	1,969,863	752,595	752,595	\$0.76	\$160
South Bay	213,821,461	771,618	3.6%	1.8%	1,301,125	1,301,125	670,131	670,131	\$1.01	\$259
LA North	145,323,802	471,104	3.8%	1.9%	853,019	853,019	587,851	587,851	\$0.84	\$217
San Gabriel Valley	169,538,774	604,671	4.6%	2.8%	1,673,461	1,673,461	1,213,704	1,213,704	\$0.71	\$159
<b>Total</b>	<b>870,986,564</b>	<b>3,166,366</b>	<b>4.2%</b>	<b>2.2%</b>	<b>8,305,965</b>	<b>8,305,965</b>	<b>5,779,340</b>	<b>5,779,340</b>	<b>\$0.82</b>	<b>\$189</b>

RBA includes industrial buildings of all sizes. Rents reflect buildings of at least 10,000 square feet.

### Leasing

Tenants in Los Angeles paid record high rental rates in 1Q 2018, provided they found suitable space at all. Rents reached a record-breaking \$0.82/SF, an increase of \$0.01/SF over the quarter and \$0.06/SF from this time in 2017. The average asking rent is now 26.2% higher than the prior peak reached in 2008. Just over 8.3 million SF were leased in the first quarter, a decline of 19.2% over the last quarter and down 29.8% from 4Q 2017 due to low availability. Fashion Nova leased a 403,635 SF distribution building in Santa Fe Springs in one of the largest lease transactions from 1Q 2018. Another fashion brand, Style Melody, leased a 102,400 SF warehouse in Vernon at an asking rate of \$0.69/SF.

### Sales

Los Angeles County sale volume tapered down in 1Q 2018 following the significant uptick seen last year. Nearly 5.8 million SF of industrial space sold, 30.8% less than the prior quarter and 3.6% less than the previous year. Sold properties averaged 19,998 SF in size, which is 22.1% larger than a year ago. Investment activity remained solid as cap rates declined 42 basis points over the same time to 5.15%. The average sale price per square foot was \$189, up 18.5% from last quarter and up 30.5% from last year. Liberty Property Trust purchased the 406,169 SF Randolph Business Center for \$232/SF in one of the quarter's largest investment transactions. The building, located at 5959 Randolph Street in Commerce, was leased to OnTrac at the time of sale. In another transaction, The Blackstone Group purchased the 3-building, 291,413 SF Commerce Business Center from The Magellan Group for \$144/SF at a 5.00% cap rate.

### Select Lease Transactions:

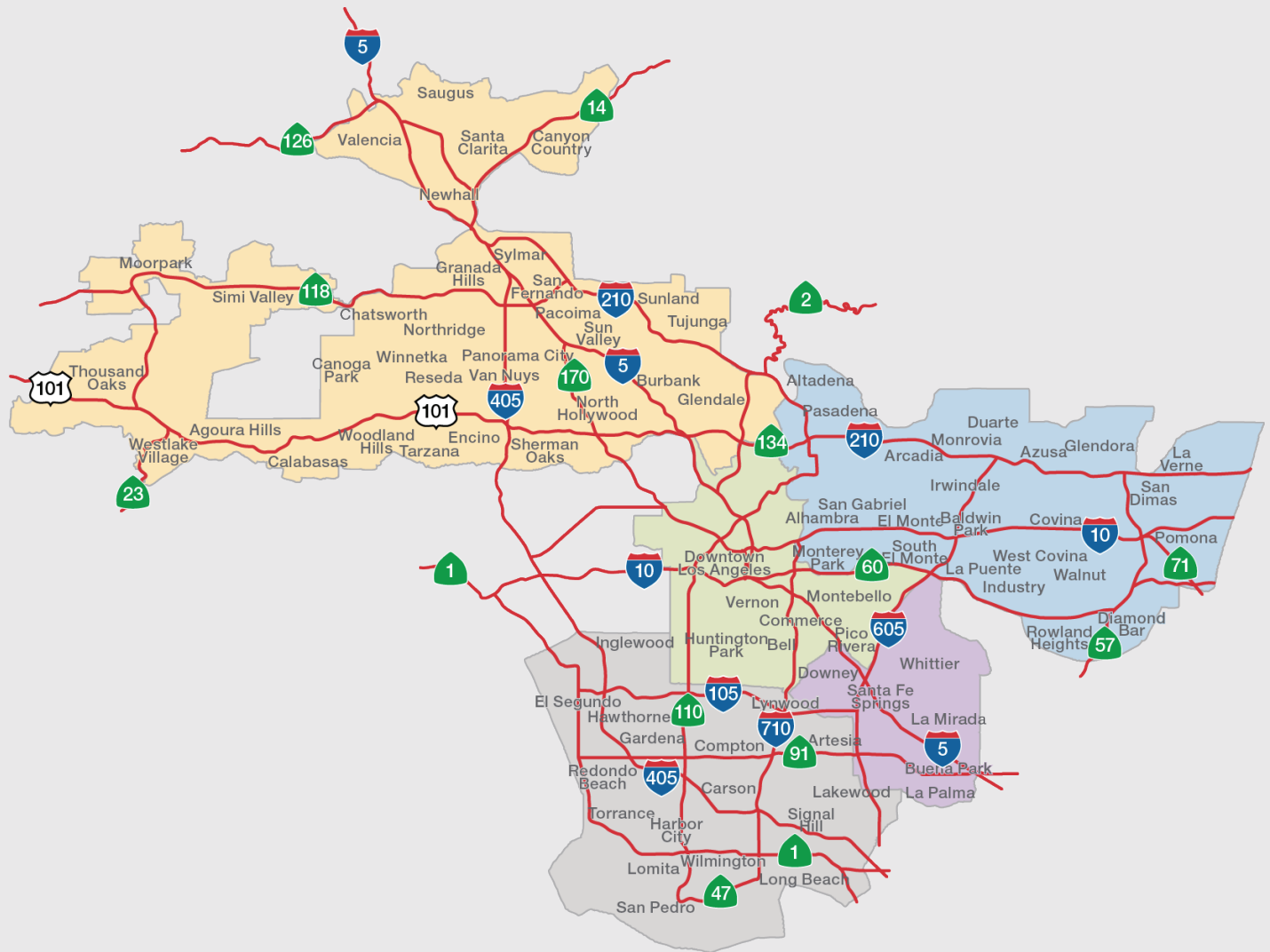
TENANT	ADDRESS	SUBMARKET	ASKING RENT \$/PSF*	SQUARE FEET
Withheld	5525 S Soto St.	Central	\$0.53 IG	506,580
Fashion Nova	12588 Florence Ave.	Mid-Cities	Withheld	403,635
Columbia Distribution	13220-13338 Orden Dr.	Mid-Cities	\$0.65	123,120
Style Melody	5500 S Boyle Ave.	Central	\$0.69	102,400
Valvoline	9211 Sorensen Ave.	Mid-Cities	\$0.98	98,000

\*All rents are NNN unless otherwise noted

### Select Sales Transactions:

BUYER	ADDRESS	SUBMARKET	SALE PRICE \$/PSF	SQUARE FEET
Liberty Property Trust	5959 Randolph St.	Central	\$232	400,169
The Blackstone Group LP	Commerce Business Center	Central	\$144	291,413
Rexford Industrial	16010 Shoemaker Ave.	Mid-Cities	\$149	115,600
NantHealth, LLC	202 N Nash St.	South Bay	\$387	111,238
Ottogi America, Inc.	16200 Trojan Way	Mid-Cities	\$164	106,926

# Industrial Market Outlook 1Q 2018



- LA North
- Central
- San Gabriel Valley
- Mid-Cities
- South Bay

# Los Angeles

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#### Property Management

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San Clemente, CA 92674  
949.874.0415

#### Los Angeles County

##### Downtown LA

601 S. Figueroa St., Ste 3825  
Los Angeles, CA 90017  
213.632.7700

##### West Los Angeles

11835 Olympic Blvd., Ste. 700E  
Los Angeles, CA 90064  
310.440.8500

##### Torrance

970 W. 190th St. Dr., Ste. 100  
Torrance, CA 90502  
310.532.9080

##### Pasadena

225 S. Lake Ave., Ste. 1170  
Pasadena, CA 91101  
626.564.4800

##### Valencia

27451 Tournay Rd., Ste. 200  
Valencia, CA 91355  
661.705.3550

##### Diamond Bar

21660 E. Copley Dr., Ste. 320  
Diamond Bar, CA 91765  
909.348.0600

#### Ventura County

##### Oxnard

300 Esplanade Dr., Ste. 1660  
Oxnard, CA 93036  
805.278.1400

##### Westlake Village

2555 Townsgate Rd., Ste. 320  
Westlake Village, CA 91361  
805.446.2400

##### Simi Valley

2655 First St., Ste. 250  
Simi Valley, CA 93065  
805.522.7132

#### Orange County

##### Irvine

1920 Main St., Ste. 100  
Irvine, CA 92614  
949.854.6600

#### Inland Empire

##### Ontario

800 N. Haven Dr., Ste. 400  
Ontario, CA 91764  
909.945.2339

##### Temecula

27720 Jefferson Ave., Ste. 330  
Temecula, CA 92590  
951.491.7590

##### Victorville

13911 Park Avenue, Ste. 206  
Victorville, CA 92392  
760.780.4200

#### Coachella Valley

##### Palm Desert

75-410 Gerald Ford Dr., Ste. 200  
Palm Desert, CA 92211  
760.346.1566